Cincinnati Bell Telephone®

P.O. Box 2301
Cincinnati, OH 45201-2301

July 24, 1995

Mr. William F. Caton, Acting Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Wahington, D.C. 20554

Re: Notice of Proposed Rulemaking, CC Docket No. 95-60 (FCC 95-182)

Dear Mr. Caton:

Enclosed are an original and 9 copies of the Comments of Cincinnati Bell Telephone in the above referenced proceeding. Additional copies are also being provided as instructed in paragraph 15 of the above document. A duplicate original of these comments is also provided. Please date stamp this as acknowledgment of its receipt and return it. Questions regarding these Comments may be directed to Mr. James R. Lowell at the above address or by telephone on (513) 397-7260.

Sincerely,

Peggy Peckham

Peggy A. Peckham
Director - Legislative &
Regulatory Planning

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Revision to Amend Part 32	)	
Universal System of Accounts	)	**CC Docket No. 95-60**
for Class A and Class B Telephone	)	
Companies to Raise the Expense	)	
Limit for Certain Items of Equipment	)	DOCKET FILE COPY ORIGINAL
from $500 to $750	)	

COMMENTS OF CINCINNATI BELL TELEPHONE COMPANY

Cincinnati Bell Telephone Company ("CBT") submits these comments in response to the Commission's May 31, 1995 Notice of Proposed Rulemaking ("NPRM") in the above-captioned proceeding.

Introduction

The Commission initiated this proceeding in response to a Petition for Rulemaking filed by the United States Telephone Association ("USTA") on March 1, 1994. In that petition, USTA requested that Section 32.2000(a)(4) of the rules be amended to increase from $500 to $2000 the current limit for expensing, rather than capitalizing, the items of equipment in the following accounts:

Account 2112 -	Motor Vehicles
Account 2113 -	Aircraft
Account 2114 -	Special Purpose Vehicles
Account 2115 -	Garage Work Equipment
Account 2116 -	Other Work Equipment
Account 2122 -	Furniture
Account 2123 -	Office Equipment
Account 2124 -	General Purpose Computers

In the NPRM, the Commission determined that, because of inflation, the increased competitive environment, and the rapid technological changes that have occurred since the Commission last increased the expense limit in 1988, another increase in the expense limit should be considered.[1] However, the Commission tentatively concluded that the $2000 cap suggested by USTA was too high, and proposed to raise the expense limit to $750 instead.[2] The NPRM seeks comment on this proposed amendment and on USTA's proposal to permit carriers to amortize net investment of embedded plant in the accounts covered by the proposed amendment over each company's remaining asset lives for each of those accounts.[3]

The Proposed Expense Limit Is Too Low

CBT is disappointed by the Commission's decision to propose a smaller increase in the expense limit than originally proposed by USTA.[4] The $2000 cap suggested by USTA would be more appropriate in today's increasingly competitive marketplace and should be adopted. While the Commission was correct in recognizing that the rate of inflation should play a part in setting the expense limit, CBT believes that the NPRM focuses too heavily on this factor. Previous expense limit increases have not been so closely tied to the rate of inflation and, therefore, better aligned capitalization policies with prevailing economic

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1 NPRM at para. 9.

2 Id.

3 NPRM at para. 12.

4 Whatever expense limit increase is ultimately approved, CBT submits that any amendment to §32.2000(a)(4) should be structured such that no new subaccounts are necessary.

realities. Moreover, the Commission should not simply assume that the current expense limit is the appropriate starting point for purposes of applying an inflationary factor. The Commission should depart from this incremental approach based largely on inflationary increases and adopt a new approach based on bringing local exchange carriers ("LECs") into competitive equilibrium with their competitors.[5]

Amortization of Undepreciated, Embedded Assets

CBT favors the adoption of an approach for the amortization of undepreciated, embedded assets similar to that adopted in the Commission's 1988 Expensing Order.[6] However, in view of the increasingly competitive environment, CBT submits that the amortization period should be considerably shorter than the eight-year period approved in that proceeding. Given that many of the assets that will be affected by the proposed amendment have already been subject to amortization for several years, CBT believes that any amortization period longer than five years would be counter to the goals of USTA's Petition for Rulemaking. CBT urges the Commission to adopt an amortization period of short duration and to allow carriers to account for this specific layer of embedded costs within the same account structure established in the 1988 Expensing Order.

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[5] CBT also submits that its unregulated and less regulated rivals are not burdened with the same asset tracking and recordkeeping requirements as LECs for individual items of such a small nature.

[6] See, Revision to Amend Part 31 Uniform System of Accounts for Class A and Class B Telephone Companies As It Relates to the Treatment of Certain Individual Items of Furniture and Equipment Costing $500 or Less, Report and Order, 3 FCC Rcd 4464 1988 (the "1988 Expensing Order").

Effect On Revenue Requirement

To the extent the Commission is concerned about increases in LEC revenue requirements that may occur due to the expensing of assets previously capitalized, CBT submits that increasing the expense limit should have little impact on its revenue requirement. First of all, the assets in the affected accounts represent a relatively small portion of CBT's assets.[7] Second, the amortization of these assets over the prescribed period would be largely offset by the depreciation charges that would have been recorded otherwise. Finally, even if CBT's revenue requirement were to increase slightly, competitive pressures would make it difficult for CBT to attempt to recover any increased level of expenses through higher rates.

Respectfully submitted,

FROST & JACOBS

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Dated: July 24, 1995

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[7] As of June 30, 1995, these assets made up only 7.2% of CBT's gross plant in service. For the six months ending June 30, 1995, new purchases of assets in these accounts amounted to only 6.4% of all new purchases.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that copies of the foregoing Comments of Cincinnati Bell Telephone Company have been hand delivered to the persons listed below on July 24, 1995.

James R. Lowell

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